



# ASRS REPORT

## ARIZONA STATE RETIREMENT SYSTEM

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*July 2009*

This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website.

### ASRS News

#### Legislative Update from the 2009 Arizona State Legislature

The Arizona State Legislature ended this year's regular session on July 1, 2009.

Only one main piece of legislation passed that affects the Arizona State Retirement System.

**House Bill 2118** (now Laws 2009 Chapter 36) was signed by the Governor on July 10, 2009 and becomes effective on Sept. 30, 2009. Provisions of the new legislation include:

#### Plan Design

- Removes the 80% cap on retirement benefits.

#### Service Purchase

- Requires, beginning July 1, 2010, a member to have five years of service credit in ASRS before initiating a service purchase.
- Expands the Service Purchase Program to time worked for the government of a United States commonwealth, insular area, or overseas possession.
- Repeals the sunset clause from Laws 2007, Chapter 244 (HB 2148 ASRS; active military service credit) that allowed members who are called into US military service and who become disabled to purchase their military time even if they do not return to service for the same State employer.

#### Return to Work (RTW)

- Requires a member to submit an application for re-retirement after terminating RTW employment.
- Permits a member who RTW with a suspension of benefits to choose a different annuity option from their first retirement if the member resumed work for at least 60 consecutive months.
- Requires an election to continue receiving benefits while working to be irrevocable for the remainder of employment.
- Eliminates the requirement that a RTW teacher must be certificated.
- Requires a retiree who RTW without a resumption of membership to acknowledge the provisions of the RTW program in writing and file it with the employer within 30 days.

#### Dual Membership

- Allows a retiree to immediately RTW in a non-ASRS position (i.e., not suspend retirement benefits) if the retiree RTW in a position that is:
  1. a true change from their pre-retirement position,
  2. does not require participation in ASRS, and
  3. either:
    - a. requires participation in another retirement plan and the member makes those contributions (or if EORP, waives coverage) or

- b. permits the member to contribute to another plan and the member actually does participate.

#### Dual Employment

- Permits, beginning January 1, 2010, contributions from a second employer only if the 20/20 Rule is met for that employer unless the employee has been dually employed with the same employer between January 1, 2005 and December 31, 2009 and continues or resumes that employment before January 1, 2012 and the employee does not leave the second employment for more than 30 consecutive days during the employee's service year.
- Excludes compensation from a second employer for which contributions are not remitted from the pension calculation.

#### Employer Termination Incentive Programs (ERTIP)

- Limits exceptions to ERTIP definition to increases due only to promotion and removes reclassifications and merit increases.
- Removes the requirement that in order to qualify as an ERTIP an agreement to terminate must be in writing and instead broadens to include anything of value provided by an employer that are conditioned on the member's termination.
- Clarifies that enhanced payments of vacation, sick, or compensatory leave will count as incentives.

#### Employer Administration

- Requires an employer that employs and makes contributions for a person who works for a third-party organization (and doesn't meet ASRS membership), if the ASRS or a court determines that ASRS must pay a benefit to the person, to pay any unfunded liability resulting to ASRS after ASRS subtracts the person's account balance from the present value of the benefit.

#### Long-Term Disability Program

- Cross-references the LTD Program definitions with the DB Plan statutes.
- Clarifies the LTD contribution rate calculation statute to provide consistency between the DB Plan and LTD Program rates.
- Clarifies LTD Program offset statute to include amounts paid to the member *and* the member's dependents.
- Clarifies the use of the word "benefit" throughout the LTD statute.

#### Administration

- Exempts ASRS employees from State Personnel Management and Personnel Board provisions and the State classification and compensation limitations.

#### Retiree Accumulated Sick Leave (RASL) Program [Department of Administration]

- Requires an employee, in order to be eligible for a RASL payment from ADOA, to:
  1. Establish an effective retirement date that is within 31 days after termination of employment.
  2. Elect defined retirement benefits within 31 days after termination of employment.
  3. Have non-forfeited sick leave time available for use at the time of termination.
- Enables an employee or officer to receive a RASL payment in a lump sum.

#### Miscellaneous

- Clarifies charter city transfers statute by stating that a member extinguishes all rights in the retirement system from which the member is transferring.
- Clarifies that non-retired survivor benefits are triggered by a member's death regardless of whether the member was employed at the time of death.
- Eliminates extraneous statutory language relating to the Rural Health Insurance Subsidy that expires on June 30, 2009.
- Other technical and conforming changes.

**Senate Bill 1196** (now Laws 2009 Chapter 35) was signed by the Governor on July 10, 2009 and effective on Sept. 30, 2009.

It makes various changes to Education statutes and allows the ASRS to establish a supplemental employee deferred compensation plan (403(b) or 457) for public employees, other than State employees, to save additional tax-deferred money for retirement.

**House Bill 2111** had been tracked by the ASRS throughout the Session, but it did not pass. It called for:

- Modification of the Average Monthly Compensation formula used in a retiring member's retirement benefit calculation from the average of the highest 36 months in the last 120 months to the average of the highest 60 months in the last 120 months.
- Modification of one of the Normal Retirement date definitions from 80 points (age + years of service) to 85 points.
- Elimination of employer contributions for members who leave the ASRS and withdraw their account balance.

These provisions are not law. The ASRS may seek new legislation at a future session.

**Also failing to pass was House Bill 2171.** It called for a requirement for the ASRS to invest 0.1% in Science Foundation Arizona in each fiscal year from 2010 through 2014.

## **Employer Conferences Scheduled**

The ASRS Employer Relations division is proud to present our 2009 annual Employer Conference schedule with dates to choose from in August and September. These meetings are for representatives from member employer Payroll, Benefits and Human Resource departments and any individual who provides administrative support.

All meetings will be from 8:30 a.m. to 12:30 p.m., and will cover a host of topics, including legislation updates, business and legal topics, contribution accounting and automated payment procedures, and updates on our long term disability and health insurance programs.

Meetings are scheduled for the ASRS offices in Phoenix and Tucson, and several others throughout the state. Reservations are a must! Check the schedule located on our website, under the Employer category, Workshops and Meetings section. To RSVP, or for more information, contact us at [EmployerRelations@azasrs.gov](mailto:EmployerRelations@azasrs.gov)

## **Contribution Rates as of July 1, 2009**

Combined Pension Plan and Health Insurance Benefit: 9.0%

Long-Term Disability Income Plan: 0.40%

Total Contribution Rate (Pension plus Health Insurance plus LTD): **9.40%**

## **Member Meetings**

### **Educational meetings offered to inform, assist members**

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

### **Know Your Benefits**

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

## **Getting Ready for Retirement**

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filling out the proper paperwork.

## **Know Your Insurance**

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet providers, learn about the ASRS Premium Benefit program, and other benefits available to you.

*Visit our website and click on the "Member Education" section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.*

## **ASRS Board & Committee Meetings**

### **ASRS Board of Trustees**

Friday, July 31, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10<sup>th</sup> floor Board Room.

### **Investment Committee**

Monday, July 27, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor.

### **Operations Committee**

Thursday, August 27, 10:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor.

### **External Affairs Committee**

Friday, October 2, 10 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor.

*Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.*